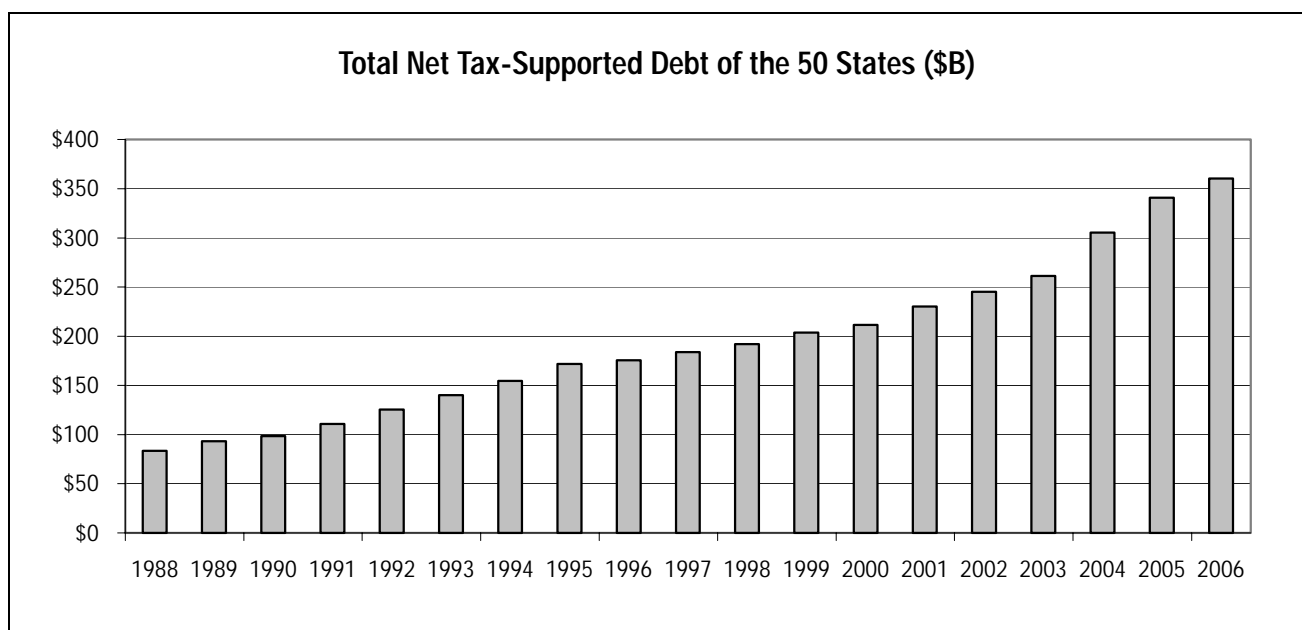
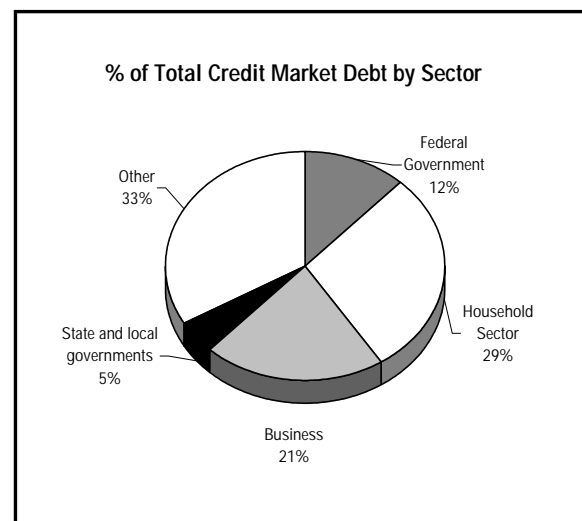


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2006 State Debt Medians

Moody's annually presents an analysis of state debt medians. This special comment examines the condition of net state tax-supported debt as of the end of calendar year 2005. The medians are based on two measures of state debt burden: debt per capita and debt as a percentage of personal income. These two measures reflect an examination of long-term obligations issued by the states and supported by their tax bases, and are the debt burden measures used most commonly by municipal analysts. While debt burden is among many factors that Moody's uses to determine credit ratings, it plays an important role in our determination of credit quality. We also consider gross debt, which is a measure that includes contingent debt liabilities that may not have a direct tax cost but that are included in state audited financial statements. (For a detailed discussion of the measure of gross debt, see Moody's 2001 State Debt Medians report.)

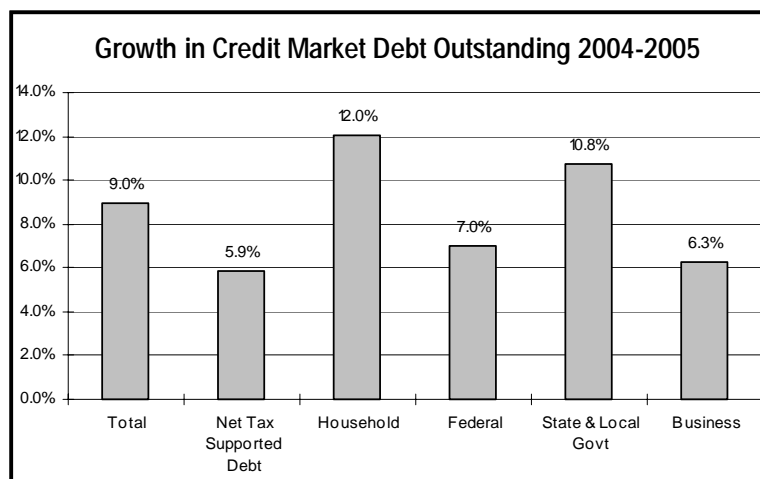
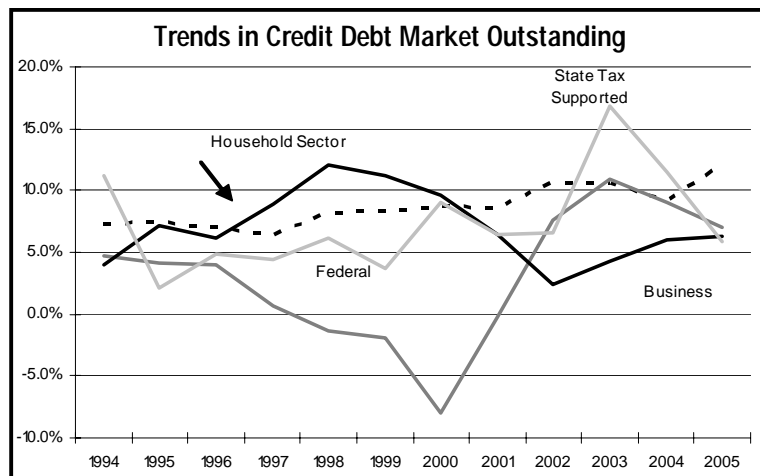


Net-Tax Supported Debt Grows More Slowly in 2005

State net-tax supported debt increased by 5.7% in 2005, to a total of \$360.3 billion. While significantly slower than the previous two years, the growth is relative to a larger base: in 2003 and 2004 net-tax supported debt increased by 16.8% and 11.7%, respectively. Since 1988, the long-term average annual growth rate is 8.5%.

Low interest rates have allowed states to continue to finance capital projects at comparatively low cost. During the recent past period of fiscal stress, many states could not afford a pay-as-you-go approach and increased debt issuance to fund projects and to balance their budgets. States faced a different environment in 2005. Revenues recovered notably in most states during the last year, easing the fiscal strain and allowing states to begin rebuilding budget reserves and to improve fiscal year-end GAAP balances. Although the revenue picture is brighter, states still face significant future spending challenges. Under-funded pensions and the need to fund other post-employment benefits, public infrastructure requirements, Medicaid and state-employee healthcare costs, and pent-up demand to restore previously cut state spending all compete for the same state funds.

Among noteworthy bond transactions in 2005 was the Massachusetts School Building Authority's issuance of \$2 billion in bonds backed by a 1-cent pledge of state sales tax revenue; \$2.7 billion of highway and bridge trust fund bonds issued by the New York State Thruway Authority and supported by state taxes; and \$960 million of transportation system bonds issued by the New Jersey Transportation Trust Fund Authority. The State of California also issued \$6 billion of general obligation bonds in several new money and refunding sales during the year, and the Golden State Tobacco Securitization Corporation issued \$3.2 billion of tobacco settlement bonds with a state appropriation backup pledge.



Overall US Credit Markets: Household, Federal Debt Expand Rapidly in 2005

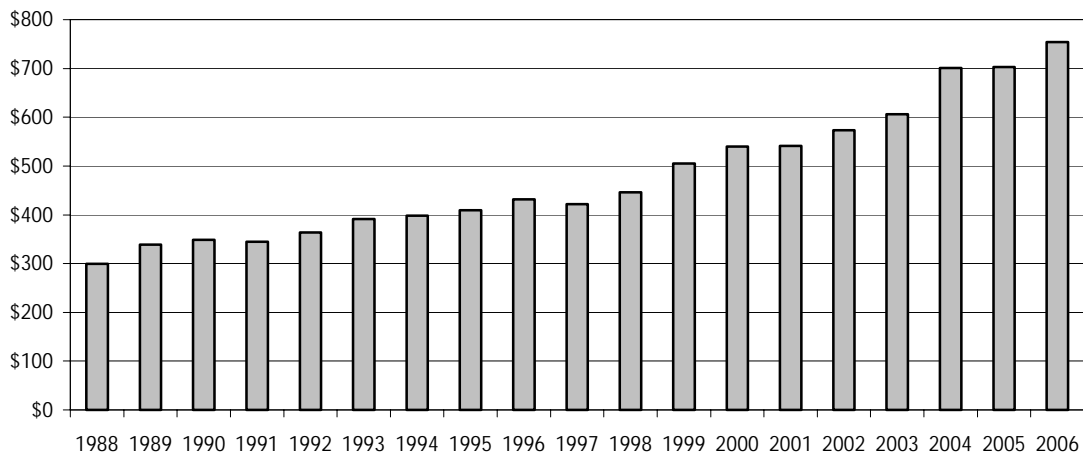
In 2005, the total amount of debt outstanding in the US credit markets increased by 9%. The household sector expanded the most, growing by 12% compared to the previous year and accounting for 29% of all credit market debt. Pushed upwards by continued double-digit growth in home mortgages, and by moderate growth in consumer credit, household debt has increased by 10.2% on average over the past five years.

Federal government borrowing accounted for 12% of total debt outstanding in 2005, an increase of 7% over 2004 (when it grew by 9%). As with the previous year, the increase reflects additional spending for national security and healthcare. Following the recent expansion of the federal debt limit to \$9 trillion, federal borrowing will likely continue to grow substantially next year. Business sector debt increased by 6.3% and was 21% of total debt outstanding in 2005.

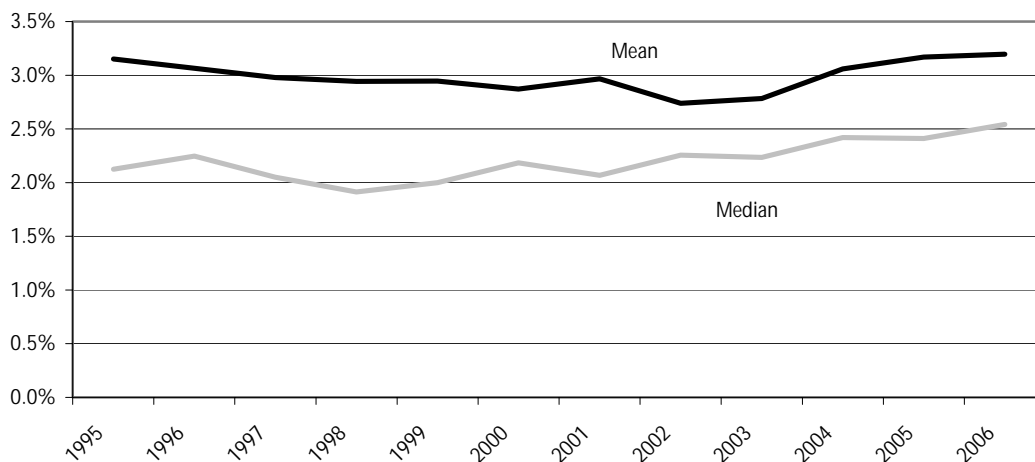
State Debt Burdens Increase

Reflecting their continued use of debt to finance capital projects, median net-tax supported debt per capita in 2005 increased by 7.2% to \$754 and the median ratio of debt to personal income grew to 2.5%, the highest level since 1987. At the same time, mean debt per capita grew by 6.0% while the mean ratio of debt to personal income was unchanged from the previous year at 3.2%. The latter reflects debt growth among the historically largest state issuers at a pace close to the growth of personal income.

Median Net Tax-Supported Debt Per Capita



Net Tax-Supported Debt as Percent of Personal Income



Outlook: State Debt Issuance Expected to Slow in 2006

Amid rising interest rates, improving state revenues, and strengthening balance sheets, state debt issuance is beginning to slow. States no longer are issuing deficit bonds to finance revenue shortfalls and are increasing the pay-as-you-go components of their capital plans, and as a result are reducing their reliance on debt. Nonetheless, infrastructure needs such as roads, schools, prisons and environmental protection continue to grow, bolstering demands on states to increase debt issuance. Moody's expects state debt growth to continue in 2006, but at a slower rate than in recent years.

Related Research

Special Comments:

[2005 State Debt Medians, May 2005 \(92494\)](#)

[Municipal Rating Trends Remain Positive In First Quarter Of 2006: Economic Recovery Persists, April 2006 \(97210\)](#)

Rating Methodology:

[Moody's State Rating Methodology, November 2004 \(89335\)](#)

Outlook:

[Stable Outlook in States in 2006, January 2006 \(96540\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Net Tax-Supported Debt Per Capita			
			Rating
1	Massachusetts	\$4,128	Aa2
2	Hawaii	\$3,905	Aa2
3	Connecticut	\$3,624	Aa3
4	New Jersey	\$3,276	Aa3
5	New York	\$2,569	Aa3
6	Illinois	\$2,026	Aa3
7	Delaware	\$1,845	Aaa
8	Washington	\$1,684	Aa1
9	California	\$1,597	A2
10	Wisconsin	\$1,437	Aa3
11	Rhode Island	\$1,402	Aa3
12	Oregon	\$1,350	Aa3
13	Kentucky	\$1,225	Aa2*
14	New Mexico	\$1,222	Aa1
15	Mississippi	\$1,171	Aa3
16	Maryland	\$1,169	Aaa
17	Kansas	\$1,169	Aa1*
18	West Virginia	\$1,119	Aa3
19	Florida	\$976	Aa1
20	Ohio	\$915	Aa1
21	Alaska	\$880	Aa2
22	Louisiana	\$855	A2
23	North Carolina	\$804	Aa1
24	Georgia	\$784	Aaa
25	Pennsylvania	\$762	Aa2
26	Minnesota	\$746	Aa1
27	Nevada	\$717	Aa1
28	Utah	\$707	Aaa
29	Vermont	\$707	Aa1
30	Michigan	\$683	Aa2
31	South Carolina	\$661	Aaa
32	Arizona	\$607	Aa3*
33	Maine	\$606	Aa3
34	Alabama	\$603	Aa2
35	Virginia	\$601	Aaa
36	Missouri	\$496	Aaa
37	Indiana	\$474	Aa1*
38	New Hampshire	\$514	Aa2
39	North Dakota	\$342	Aa2*
40	Arkansas	\$409	Aa2
41	Oklahoma	\$395	Aa3
42	Montana	\$377	Aa3
43	Colorado	\$314	NGO**
44	Texas	\$307	Aa1
45	Tennessee	\$234	Aa2
46	South Dakota	\$225	NGO**
47	Idaho	\$152	Aa2*
48	Iowa	\$110	Aa1*
49	Wyoming	\$103	NGO**
50	Nebraska	\$27	NGO**
MEAN:		\$1,060	
MEDIAN:		\$754	
	Puerto Rico	\$7,312 ***	Baa2
* Issuer Rating (No G.O. Debt) ** No General Obligation Debt *** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.			

Net Tax-Supported Debt as a % of 2004 Personal Income		
1	Hawaii	12.1%
2	Massachusetts	9.8%
3	Connecticut	8.0%
4	New Jersey	7.9%
5	New York	6.7%
6	Illinois	5.9%
7	Delaware	5.3%
8	Washington	4.9%
9	Mississippi	4.8%
10	New Mexico	4.7%
11	California	4.6%
12	Kentucky	4.5%
13	Wisconsin	4.5%
14	Oregon	4.5%
15	West Virginia	4.4%
16	Rhode Island	4.1%
17	Kansas	3.8%
18	Florida	3.2%
19	Louisiana	3.1%
20	Maryland	3.0%
21	Ohio	2.9%
22	North Carolina	2.8%
23	Utah	2.7%
24	Georgia	2.7%
25	Alaska	2.6%
26	South Carolina	2.5%
27	Pennsylvania	2.3%
28	Vermont	2.2%
29	Arizona	2.2%
30	Alabama	2.2%
31	Nevada	2.2%
32	Michigan	2.1%
33	Minnesota	2.1%
34	Maine	2.0%
35	Virginia	1.7%
36	Missouri	1.6%
37	Arkansas	1.6%
38	Indiana	1.4%
39	Oklahoma	1.4%
40	New Hampshire	1.4%
41	Montana	1.4%
42	North Dakota	1.2%
43	Texas	1.0%
44	Colorado	0.9%
45	Tennessee	0.8%
46	South Dakota	0.7%
47	Idaho	0.6%
48	Iowa	0.4%
49	Wyoming	0.3%
50	Nebraska	0.1%
MEAN:		3.2%
MEDIAN:		2.5%
	Puerto Rico	61.2%
** This figure is based on 2004 Personal Income. It is not included in any totals, averages, or median calculations but is provided for comparison purposes only.		

Total Net Tax Supported Debt (000's)			Rating
1	California	\$57,697,000	A2
2	New York	\$49,466,000	Aa3
3	New Jersey	\$28,562,000	Aa3
4	Massachusetts	\$26,410,909	Aa2
5	Illinois	\$25,863,606	Aa3
6	Florida	\$17,357,380	Aa1
7	Connecticut	\$12,720,691	Aa3
8	Washington	\$10,589,432	Aa1
9	Ohio	\$10,490,319	Aa1
10	Pennsylvania	\$9,476,910	Aa2
11	Wisconsin	\$7,954,654	Aa3
12	Georgia	\$7,110,040	Aaa
13	Texas	\$7,017,682	Aa1
14	North Carolina	\$6,985,135	Aa1
15	Michigan	\$6,909,000	Aa2
16	Maryland	\$6,549,390	Aaa
17	Kentucky	\$5,113,931	Aa2*
18	Hawaii	\$4,979,128	Aa2
19	Oregon	\$4,915,623	Aa3
20	Virginia	\$4,547,205	Aaa
21	Louisiana	\$3,868,815	A2
22	Minnesota	\$3,827,281	Aa1
23	Arizona	\$3,607,261	Aa3*
24	Mississippi	\$3,419,281	Aa3
25	Kansas	\$3,207,330	Aa1*
26	Indiana	\$2,972,793	Aa1*
27	Missouri	\$2,878,014	Aaa
28	South Carolina	\$2,812,021	Aaa
29	Alabama	\$2,747,602	Aa2
30	New Mexico	\$2,357,020	Aa1
31	West Virginia	\$2,032,278	Aa3
32	Utah	\$1,746,281	Aaa
33	Nevada	\$1,730,784	Aa1
34	Delaware	\$1,556,057	Aaa
35	Rhode Island	\$1,509,048	Aa3
36	Colorado	\$1,466,678	NGO**
37	Oklahoma	\$1,399,891	Aa3
38	Tennessee	\$1,394,319	Aa2
39	Arkansas	\$1,137,192	Aa2
40	Maine	\$800,874	Aa3
41	New Hampshire	\$673,631	Aa2
42	Alaska	\$584,200	Aa2
43	Vermont	\$440,266	Aa1
44	Montana	\$352,385	Aa3
45	Iowa	\$325,300	Aa1*
46	North Dakota	\$217,430	Aa2*
47	Idaho	\$216,835	Aa2*
48	South Dakota	\$174,391	NGO**
49	Wyoming	\$52,665	NGO**
50	Nebraska	\$48,357	NGO**
Totals		360,272,315	
Puerto Rico		\$28,606,130	*** Baa2
* Issuer Rating (No G.O. Debt) ** No General Obligation Debt *** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.			

Gross Tax Supported Debt (000's)			Gross to Net Ratio
1	California	\$64,428,000	1.12
2	New York	\$49,567,000	1.00
3	New Jersey	\$33,066,000	1.16
4	Massachusetts	\$31,682,180	1.20
5	Illinois	\$26,191,406	1.01
6	Connecticut	\$20,345,891	1.60
7	Michigan	\$19,909,000	2.88
8	Florida	\$17,506,580	1.01
9	Washington	\$15,189,432	1.43
10	Texas	\$13,217,682	1.88
11	Pennsylvania	\$12,762,910	1.35
12	Oregon	\$11,691,861	2.38
13	Minnesota	\$10,784,431	2.82
14	Ohio	\$10,619,397	1.01
15	Wisconsin	\$10,170,555	1.28
16	Virginia	\$9,090,592	2.00
17	Colorado	\$8,156,678	5.56
18	Georgia	\$7,110,040	1.00
19	Kentucky	\$7,008,590	1.37
20	North Carolina	\$6,985,135	1.00
21	Hawaii	\$6,575,256	1.32
22	Maryland	\$6,550,290	1.00
23	Alabama	\$5,818,721	2.12
24	Utah	\$5,574,581	3.19
25	South Carolina	\$5,517,601	1.96
26	Indiana	\$4,688,231	1.58
27	Louisiana	\$4,596,807	1.19
28	Arkansas	\$4,227,985	3.72
29	Maine	\$4,199,769	5.24
30	Arizona	\$3,854,261	1.07
31	Tennessee	\$3,845,032	2.76
32	Kansas	\$3,430,343	1.07
33	Mississippi	\$3,419,281	1.00
34	Alaska	\$3,110,155	5.32
35	West Virginia	\$3,086,771	1.52
36	Nevada	\$3,004,879	1.74
37	Missouri	\$2,928,989	1.02
38	New Mexico	\$2,860,020	1.21
39	Delaware	\$2,230,401	1.43
40	New Hampshire	\$1,995,663	2.96
41	Rhode Island	\$1,876,369	1.24
42	Iowa	\$1,792,897	5.51
43	Oklahoma	\$1,450,523	1.04
44	Vermont	\$1,092,449	2.48
45	North Dakota	\$961,660	4.42
46	Idaho	\$710,050	3.27
47	Montana	\$491,014	1.39
48	South Dakota	\$431,767	2.48
49	Nebraska	\$59,787	1.24
50	Wyoming	\$52,665	1.00
Totals		475,917,577	1.40
Puerto Rico		\$31,828,030	** 1.11
** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.			

Net Tax-Supported Debt as a Percentage of Personal Income															
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Alabama	2.4	2.2	2.0	2.0	1.8	1.9	1.7	1.5	2.3	2.2	2.2	2.2	2.0	2.0	2.2
Alaska	2.5	2.6	2.4	1.2	0.9	0.9	0.5	0.0	1.0	0.4	0.4	0.3	3.0	2.8	2.6
Arizona	1.6	1.8	1.6	2.7	2.4	2.1	1.9	1.9	1.6	1.6	1.9	2.1	2.3	2.6	2.2
Arkansas	0.7	0.7	0.7	0.6	0.7	0.6	0.8	0.6	0.9	1.2	1.2	1.4	1.8	1.6	1.6
California	2.0	2.5	3.0	3.5	2.8	2.6	2.6	2.6	2.4	2.5	2.5	2.5	3.2	4.7	4.6
Colorado	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.03	0.4	0.7	0.9	0.9	1.0	0.9
Connecticut	8.7	8.9	9.1	9.6	9.7	9.4	8.7	8.7	8.1	8.0	8.0	8.2	8.4	8.5	8.0
Delaware	8.1	7.5	8.0	8.0	7.6	6.4	5.9	5.7	5.2	5.5	5.3	5.0	5.6	5.5	5.3
Florida	2.2	2.3	2.9	3.0	2.9	3.0	3.4	3.5	3.4	3.3	3.4	3.5	3.5	3.4	3.2
Georgia	2.5	2.9	3.0	3.1	3.3	3.1	2.9	2.9	2.8	2.6	2.9	2.9	2.9	2.8	2.7
Hawaii	10.2	10.4	12.1	10.5	10.3	10.9	10.7	11.2	11.6	11.0	10.4	10.9	10.4	11.1	12.1
Idaho	0.3	0.4	0.3	0.3	0.3	0.3	0.2	0.4	0.4	0.3	0.4	0.3	0.5	0.6	0.6
Illinois	2.7	2.7	3.0	3.2	3.2	2.9	2.7	2.6	2.6	2.7	2.8	3.2	5.8	6.2	5.9
Indiana	0.7	1.0	1.0	1.0	0.9	0.9	0.8	0.9	0.9	1.1	1.1	1.1	1.3	1.4	1.6
Iowa	0.2	0.4	0.4	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.6	0.6	0.5	0.5	0.4
Kansas	0.5	1.3	2.0	2.1	2.0	1.9	1.7	2.0	2.4	3.1	3.0	3.0	3.3	4.0	3.8
Kentucky	4.7	5.1	5.0	4.7	5.1	4.1	3.9	3.7	3.5	4.4	4.3	4.4	4.4	4.0	4.5
Louisiana	6.5	6.3	5.9	5.4	4.9	4.4	2.6	2.6	2.4	2.5	2.4	2.7	2.6	2.4	3.1
Maine	2.2	2.7	2.6	2.7	2.7	2.6	1.9	1.9	2.1	2.0	1.9	1.8	1.8	2.2	2.0
Maryland	3.4	3.3	3.3	3.5	3.4	3.3	3.1	3.3	3.0	2.6	2.6	2.8	3.0	2.9	3.0
Massachusetts	8.0	8.5	8.2	8.4	8.3	8.1	7.8	7.8	8.0	8.5	8.5	8.5	8.5	8.5	9.8
Michigan	1.2	1.6	1.5	1.5	1.5	1.5	1.6	1.7	1.5	1.6	1.5	1.8	2.2	2.2	2.1
Minnesota	2.2	2.2	2.0	1.9	1.9	2.2	1.9	2.0	1.9	1.8	1.8	1.9	2.0	2.0	2.1
Mississippi	1.8	1.8	2.1	2.0	3.0	2.9	3.5	4.4	4.7	4.6	4.7	5.6	5.2	4.8	4.8
Missouri	1.3	1.3	1.2	1.2	1.3	1.3	1.0	1.0	1.0	1.1	1.3	1.3	1.6	1.5	1.6
Montana	2.2	2.1	1.9	3.2	2.4	1.4	1.4	1.7	1.7	1.7	1.6	1.4	1.3	1.1	1.4
Nebraska	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nevada	2.9	2.7	2.2	2.1	2.0	1.8	1.6	1.8	1.8	1.8	1.7	1.4	2.0	2.0	2.2
New Hampshire	2.5	2.7	2.9	2.9	2.9	2.5	2.4	2.3	2.0	1.5	1.5	1.4	1.5	1.3	1.4
New Jersey	2.2	3.0	2.9	3.7	3.6	3.8	5.1	5.2	5.3	5.5	5.6	5.5	5.9	7.4	7.9
New Mexico	1.8	1.7	2.1	2.1	2.1	2.0	1.9	2.6	3.1	4.0	4.0	3.7	4.1	5.3	4.7
New York	5.6	6.1	6.4	6.6	6.9	6.7	6.5	6.6	6.4	6.2	5.9	5.9	6.7	7.2	6.7
North Carolina	0.6	0.6	0.6	0.8	0.7	0.7	1.0	1.2	1.4	1.4	1.4	1.6	2.0	2.5	2.8
North Dakota	1.2	1.2	1.1	1.1	1.1	1.0	0.8	0.6	0.7	0.9	0.9	0.9	0.9	0.6	1.2
Ohio	2.4	2.5	2.5	2.4	2.5	2.5	2.5	2.7	2.7	2.6	2.6	2.6	2.7	2.9	2.9
Oklahoma	0.4	0.4	1.0	1.0	0.8	0.9	0.8	1.2	1.3	1.4	1.3	1.2	1.2	1.2	1.4
Oregon	1.5	1.1	1.2	1.2	1.4	1.9	1.2	1.2	1.3	1.6	1.5	1.6	4.5	4.7	4.5
Pennsylvania	2.7	2.6	2.7	2.6	2.4	2.2	2.0	2.3	2.2	2.2	2.3	2.3	2.2	2.3	2.3
Rhode Island	6.1	8.8	8.9	8.7	8.5	8.7	6.6	6.5	6.2	5.3	5.2	5.0	4.4	4.3	4.1
South Carolina	1.8	1.9	1.6	1.7	1.6	1.6	1.6	1.6	1.6	1.8	2.5	2.4	2.4	2.2	2.5
South Dakota	2.2	2.3	2.3	2.1	1.8	1.8	1.5	1.5	1.5	1.2	0.9	0.7	0.9	0.9	0.7
Tennessee	1.0	0.8	0.8	0.9	0.9	0.9	0.9	1.0	1.0	1.2	0.9	0.8	0.8	0.7	0.8
Texas	1.2	1.1	1.2	1.6	1.7	1.5	1.4	1.3	1.2	1.0	0.9	0.9	0.8	1.0	1.0
Utah	1.6	1.7	1.6	1.7	1.8	1.7	3.1	3.6	3.3	2.8	3.0	2.9	3.5	3.2	2.7
Vermont	4.5	4.6	4.5	4.7	4.9	4.7	4.2	4.2	3.8	3.3	3.0	3.0	2.5	2.3	2.2
Virginia	1.2	1.3	1.6	1.7	1.6	1.7	2.1	2.0	2.1	1.9	1.8	1.7	1.7	1.8	1.7
Washington	4.4	5.0	5.0	5.0	4.8	5.0	4.8	4.6	4.6	4.4	4.4	4.8	4.9	4.9	4.9
West Virginia	4.7	3.4	3.1	2.5	2.6	2.7	2.8	3.4	3.3	4.2	4.0	4.1	3.6	4.6	4.4
Wisconsin	2.7	3.1	3.0	3.0	2.9	3.2	2.8	2.8	2.7	3.2	3.0	3.3	4.5	4.7	4.5
Wyoming	0.0	0.0	0.5	0.4	0.4	0.7	0.7	1.0	1.0	1.0	1.4	0.9	0.8	0.7	0.3
Median	2.2	2.2	2.1	2.1	2.1	2.1	1.9	2.0	2.2	2.1	2.3	2.2	2.4	2.4	2.5

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